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National
Home Center News

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Grace vp Kossar tenders LBO offer for entire retail division

NEW YORK — Bernard Kossar, the senior marketing vice president of W. R. Grace here, reportedly has tendered a leveraged buyout offer for Grace's entire home center division, and possibly its retail group, NHCN has learned.

Sources from within Grace's headquarters said that Kossar's offer was made the last week of January. It was estimated to be for $600 million, although the amount could not be confirmed. Nor were the details of the offering, in terms of what parts of the retail segment it included, revealed.

Kossar was not available, and Allan Ruchman, an investment banker for First Boston Corporation, which is handling the sale of Grace's retail division for the company, would not comment.

(Continued on page 81)

Depot bails out of Detroit; growth cut to 9 units in '86

By John Caulfield
NHCN staff editor

ATLANTA — The Home Depot, which had been delaying its entry into the Detroit market for at least six months, has sold four of its store locations there and an option on one other to Pace Membership Warehouse, a Denver-based membership club warehouse operation.

The move, coming only days after Home Depot opened two new stores in San Diego, Calif., will defer indefinitely the 50-unit chain's opening a warehouse in its first non-Sunbelt market. Home Depot has also trimmed its expansion plans in 1986 to 9 stores from the 20 it originally announced last year.

"We made the decision not to open in Detroit and to concentrate on the opportunities we have in existing markets to become the dominant retailer," explained Ronald Brill, the chain's vp-finance.

"Last year was a tough year, and we're glad it's behind us," he continued. "In 1986, we'll concentrate on finetuning what we already have."

The decision by Home Depot "is a sign of maturity by the chain, and it could also interpreted as a peace offering to K mart and the industry in

(Continued on page 81)

NEWSBREAKS

WOLOHAN NAMES NEW CHAIRMAN. David F. Wallace, the 62-year-old, president and ceo of Saginaw, Mich.-based Wolohan Lumber was elected chairman, succeeding Richard V. Wolohan, 70, who is retiring but will remain a director. In addition, James L. Wolohan, merchandising vp and 34-year-old son of the former chairman, was named a director, increasing the board to seven members.

HOME SHOPS CLOSE. The 11-unit Home Shops here, which filed for protection under Chapter 11 in February, 1985, with $13.5 million in debt, closed all its stores in late January after 27 years of business. Its inventory, fixtures and equipment was put up for sale on February 6.

YARD KING WAREHOUSE OPENS FIRST UNIT. The new chain of outlets for lawn and garden supplies, nursery products and power equipment opened a 30,000-sq.-ft. store in Plantation, Fla., on Feb. 12, as the first of a dozen units planned for the southern part of that state. The company plans to open stores this year in the Florida towns of Tamarac, Margate, Pompano Beach, Hollywood, Kendall, Juno, and Boynton Beach.

Moore-Handley going public to relieve bulk of long-term debt

By Phillip M. Perry
NHCN staff editor

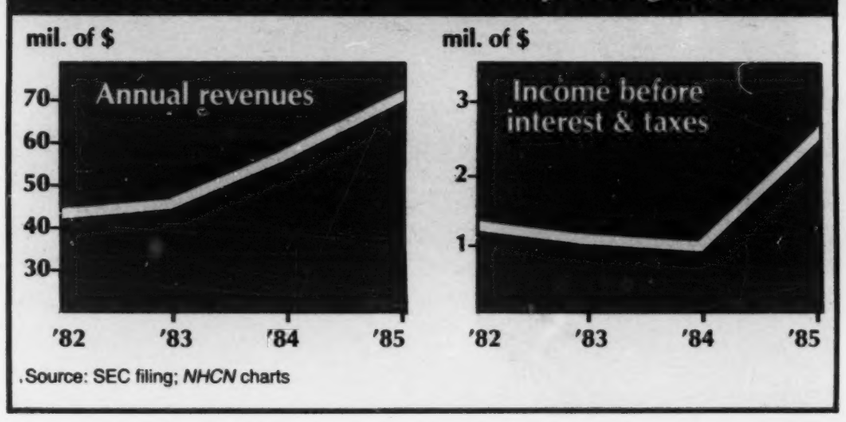
PELHAM, Ala. — Moore-Handley, the $69 million building materials distributor, late last month indicated that it planned to make a public offering of common stock in order to raise nearly $12 million, primarily to relieve itself of the bulk of its long-term debt.

The company filed a registration statement with the SEC on Jan. 31, proposing to offer one million shares of common stock to the public, to be underwritten by a syndicate of investment firms, managed by Robinson-Humphrey, Atlanta. When the stock goes to market, it is expected that it will sell for between $11 and $13 per share.

Of the proceeds expected from the offering, $10 million has been earmarked to pay off the bulk of the company's long term debt of $13,684,000. Much of the debt was incurred when executives of the compa-

(Continued on page 82)

Moore-Handley's steady increase in sales . . . . . has helped bolster its operating income



Source: SEC filing; *NHCN* charts

New owners streamline ex-Boise units to improve contractor sales

By Brad Altman
NHCN staff editor

SAN DIEGO — Western Lumber Co., the new company that late last year bought Boise Cascade Corp.'s retail stores and wholesale complex here, is trying to streamline operations in an effort to improve contractor sales.

Boise's southern California facilities—seven retail stores and a 35-acre wholesale/manufacturing complex in National City, Calif.—were purchased for about $25 million by a group of outside investors and former Boise employees last September.

Boise's decision to sell had been prompted by its long-

(Continued on page 82)

George E. McCown (left) and David E. DeLeeuw (right), partners in the firm of McCown DeLeeuw & Co., which arranged the financing for the buyout of Boise Cascade's retail stores. McCown is one of the owners of the new company, Western Lumber, and is seeking to streamline operations in an effort to improve contractor sales.

Diamond opens new DC signaling move toward national buying program

By Gary S. Ruderman
NHCN staff editor

CARROLTON, Texas — The opening of a 35,000-sq.-ft. distribution center this month in Sacramento, Calif., is the first visible step in Diamond Lumber Incorporated's shift to a national purchasing program.

The leased center will stock building materials for 37 Diamond Lumber outlets in California. Two additional distribution centers, slated for Colorado and New England, should be operational by the end of spring, the company said.

By the end of 1986, Diamond anticipates stripping

(Continued on page 81)

Diamond Lumber's opening of a new DC is aimed at making the chain a specialty retailer of building materials instead of a "wholesaler of stick lumber," accoring to Harlon Seats, president.

Industry Update

Mr. HOW resumes purchasing

MARGATE, Fla. — Merchandise ordering is back to normal and a year-end inventory that was supposed to have been taken in January was completed earlier this month at Mr. HOW Warehouse, the 29-store chain here that has been the subject of sale rumors for several months now.

According to Norman Darrer, president of the warehouse home center subsidiary of Service Merchandise Corp., the inventory was completed on Feb. 4, and buyers, who had been told to cancel orders from vendors last month, have resumed their purchasing activities.

The joint actions of the postponed inventory and cancelled orders had heightened speculation that Service was close to selling the division. Darrer declined to comment on rumors of a possible sale.

Evans disclosure filed with court

MIAMI — Several hundred pages of text and financial data were filed with U.S. Bankruptcy Court in Miami by Evans Products on Feb. 6 in support of its plan for reorganizing the company out of Chap. 11. The statement, required by the court, discusses the differences between Evans' plan and that filed by its unsecured creditors in December.

HomeClub to 'blitz' L.A. in May

FULLERTON, Calif. — In a single-day "blitz" opening in late May, HomeClub will open five stores in southern California, HomeClub president Robert McNulty told *NHCN*.

The stores are a build-to-suit in Stanton and four retrofits of Zodys discount department stores in Riverside; the City of Industry; North Hollywood and "the west side" of Los Angeles, McNulty said.

The next HomeClub slated to open is in Oakland, Calif., where HomeClub has leased a 100,000-sq.-ft. warehouse that is being converted and scheduled for a March debut.

Somerville considers DC sites

SOMERVILLE, Mass. — Somerville Lumber, the three-unit Payless Cashways subsidiary with three stores in the greater Boston area, is considering sites for a central distribution center that will service the firm's current stores as well as future expansion through the year 1990.

According to vice president David Cohen, the company hopes to open a 20- to 30-acre facility sometime next year.

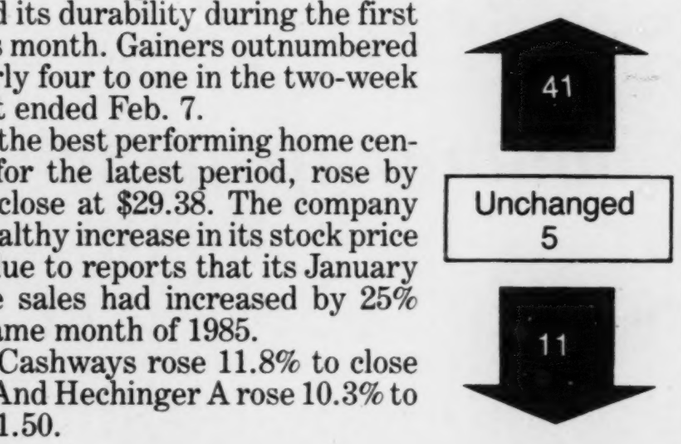
Somerville had previously announced plans to add its fourth and fifth stores this year: in Pelham, N.H., and Seekonk, Mass. The company's three stores registered more than $93 million in sales last year.

Gainers outpace losers, 4 to 1

NEW YORK — The home center stock market rally, which started raising cheers on Wall Street in Mid-January, proved its durability during the first part of this month. Gainers outnumbered losers nearly four to one in the two-week period that ended Feb. 7.

Lowe's, the best performing home center stock for the latest period, rose by 15.8%, to close at $29.38. The company said the healthy increase in its stock price might be due to reports that its January same-store sales had increased by 25% over the same month of 1985.

Payless Cashways rose 11.8% to close at $17.75. And Hechinger A rose 10.3% to close at $21.50.



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Vol. 12, No. 5 February 24, 1986

Belknap ceases operation, immediate liquidation of all assets to follow

LOUISVILLE, Ky. — Belknap, Inc., the hardware wholesale distributor which had operated under Chapter 11 for two months, closed its doors Feb. 4, saying it would adopt a liquidation plan recommended by unsecured creditors.

"Belknap, Inc. . . . plans to cease operations and commence liquidation of all company assets immediately," the firm announced following a meeting with counsel for the unsecured creditor's committee. The committee believes that liquidation would maximize the amount of payments to unsecured creditors, the firm said.

The company stated that Belknap's sole stockholder, David A. Jones, will keep title to the Main Street headquarters building, pay the unsecured creditors an undetermined amount from personal assets, pay an additonal $5 million a year for five years to the unsecured creditors and pay an additional $1 million for a terminated employee health insurance premium fund.

Any proposals must be approved by the bankruptcy court.

Jerald McDaniel, unsecured creditors' co-counsel, said roughly $52 million was owed his clients, with an additional $60 million owed the secured creditor, Manufacturers Hanover Bank.

The company employed 400 persons in Lousiville and, until January, 150 persons in New Orleans.

Senate backs Norfolk Southern Conrail bid; industry supportive, but wary

By Milford Prewitt
NHCN staff editor

WASHINGTON — Despite a flurry of last gasp efforts to stifle debate, the Senate backed the Reagan Administration's plan to sell the Consolidated Rail Corp. (Conrail) to Norfolk Southern.

By a vote of 54-39, the Senate sends the Department of Transportation's (DOT) plan to sell Conrail to the private sector on to the House of Representatives, where it is expected to face tougher opposition.

The original proposal was one part of the Administration's broad campaign to cut the federal budget by selling some government-owned assets to private enterprise and had pitted Norfolk Southern in a bitter lobbying and public relations battle with Morgan Stanley and Co., which had offered more than $1.4 billion to buy the system.

A few wholesale lumber distributors—some of whom had feared that a Morgan Stanley purchase of Conrail would mean freight rate increases and the elimination of marginally-used rail routes in outlying areas — were generally pleased with the plan.

(Continued on page 82)

Rail siding important for Manis stores

ROME, Ga. — While the decline in shipping rates brought about by deregulation in the trucking industry has encouraged many home center operators to move away from the practice of receiving merchandise by rail, one operator here is on a different track.

Manis Building Centers, a $14 million chain of eight stores in the Atlanta area, installed a rail spur last month at its newest unit, opened in Dalton, Ga. last November. While the company has operated an outlet in Dalton since 1963, the company said the new store, which replaced the old one, provided more space for customers.

"It doesn't hurt to be able to go both ways," said Mark Manis, vp of the chain, speaking of the flexibility in cost.

(Continued on page 82)

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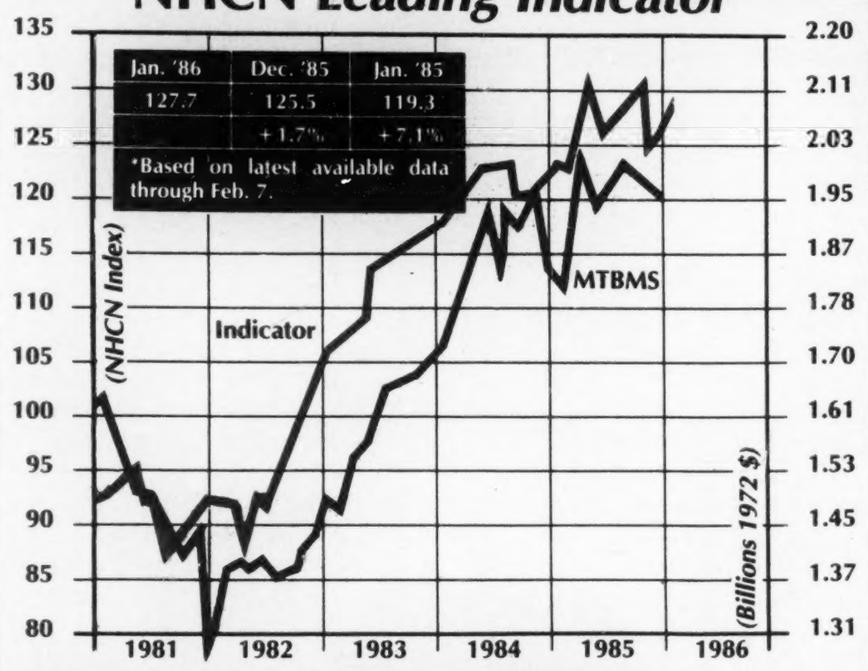
BUSINESS WATCH

NHCN *Leading Indicator*



MTBMS—Monthly retail trade building materials and supplies in 1972$.

Indicator—Represents projected level of retail trade building supply activity four to six months out from current months. Data based on real personal income, housing starts, resales, prime rates and other data.

The *NHCN* Leading Sales Indicator, sparked by the surge in home resales, rose 1.7% in January to a level of 127.7. Preliminary data suggests that February could be about 128.5, confirming the 6% gain in building material sales.

Economic changes will force future existing home prices to rise faster

By Richard E. Mount
Special to NHCN

Recent changes in the economy will make future price increases for existing homes rise faster than they have over the past three years.

Current estimates now suggest average resale prices will run 5.2% higher this year than the year before, compared to 4.0% average annual increase occurring from 1982 to 1985.

While that is still well below the late 1970's double-digit levels, the latest forecast is good news for the remodeling business, which is expected to get a boost from a more active resale market.

Richard E. Mount

Prices in the recovery

Ordinarily, prices of existing homes rise faster than inflation during economic expansions, as interest rates decline and more expensive housing becomes affordable. But in the current economic recovery, existing housing has not appreciated much. Part of this slowdown resulted from a deeply slashed underlying rate of inflation, through monetary policy, energy price cuts and weakness in agricultural commodities.

Prices of building materials have been particularly soft, further limiting new home prices increases.

Energy prices have declined in this recovery, and natural gas and oil products are major costs in producing asphalt roofing, cement and glass. Manufactureres of many materials—with the possible exception of gypsum—have not been in a position to raise prices without the risk of losing market share, because domestic overcapacity is currently high. And the high value of the dollar has increased import penetration into many markets.

The current economic expansion has not affected all regions of the country in the same way. The housing market in energy states like Texas and Oklahoma is glutted, and business prospects are weak for the near term. Most agricultural areas are distressed, and mining regions are suffering from both imports and low manufacturing demand.

The reason prices of home resales will increase about 5% this year, stems partly from the fact that as the dollar declines, imported building materials will become more expensive. At the same time, continued expansion of the U.S. economy will put pressure on capacity and prices in many industries.

Another reason for the rate of resale prices to gain speed can be tied to growing consumer incomes. The current decline in oil prices will boost consumers' real income an additional $15 billion this year. As consumer incomes rise, sellers will have more pricing flexibility.

Energy prices, however, will fall less rapidly after 1986's first half, forcing many producers of building materials to raise prices to cover costs.

The economic expansion will affect the country more uniformly than will surges in home demand. More specifically, though, the recovery in capital goods will give a boost to home demand and prices in the Midwest. Prices of agriculture and energy will continue to soften, but not as rapidly as in 1985. And the boom in the Northeast will moderate.

Since the resale market largely drives building material sales, changes in the econ-

(Continued on page 5)

Richard E. Mount is senior economist and manager of housing and construction material research for Merrill Lynch Economics.

General Business Conditions

	Latest Available Data	1985 QI	1985 QII	1985 QIII	1985 QIV	1986 QI^p	1986 QII^p	1986 QIII^p	1986 QIV^p	1984	1985	1986
NHCN Leading Indicator (January 1980 = 100)	Jan.	120.2	124.3	125.1	123.4	128.7	128.9	129.0	128.7	117.8	123.3	128.8

General Economic Outlook

GNP $1982 Billion	QIV	3,547.8	3,557.4	3,584.1	3,605.0	3,647.2	3,682.3	3,720.8	3,760.4	3,774.7	3,573.6	3,702.7
Real Disposable Income $1982 Billion	QIV	2,482.7	2,532.2	2,503.1	2,517.9	2,553.2	2,576.7	2,600.1	2,623.2	2,468.4	2,509.0	2,588.3
Housing Permits (000 SAAR)	Dec.	1,667	1,731	1,762	1,731	1,730	1,700	1,650	1,630	1,682	1,739	1,739
Housing Starts (000 SAAR)	Dec.	1,795	1,772	1,673	1,726	1,850	1,825	1,775	1,750	1,750	1,733	1,755
New Home Sales (000 SAAR)	Dec.	670	680	711	688	740	720	690	680	639	686	708
Resales (000 SAAR)	Dec.	2,970	3,047	3,363	3,500	3,350	3,300	3,200	3,150	2,868	3,216	3,250
Prime Rate %	Jan.	10.5	10.2	9.5	9.5	9.2	9.0	9.0	9.0	12.0	9.9	9.1
Mortgage Rate % (HUD)	Jan.	13.0	12.9	12.1	11.8	11.5	11.4	12.0	12.1	13.8	12.5	11.8
Consumer Price Index (1967 = 100)	Dec.	317.8	321.1	323.0	326.3	328.3	330.4	333.1	335.6	311.1	322.1	331.9
Producer Price Index (1967 = 100)	Dec.	292.1	293.8	293.2	296.3	295.8	294.7	295.0	295.2	291.2	293.8	295.2
New Housing Affordability (1980 = 100)	Dec.	110.3	109.0	116.0	118.8	120.1	120.2	117.5	117.0	102.2	113.5	118.7

Residential Alterations and Repairs

Current

Total $ Millions (SAAR)	QII '85	84,900	70,400	70,575	72,928	75,498	77,773	80,356	82,801	69,784	74,701	79,107
Maintenance & Repair	QII '85	37,300	32,400	30,888	32,074	33,102	34,149	35,212	36,294	28,894	33,165	34,689
Additions & Alterations	QII '85	29,700	25,600	26,672	27,359	28,234	28,964	29,795	30,458	27,822	27,333	29,363
Major Replacements	QII '85	17,900	12,400	13,015	13,495	14,161	14,661	15,349	16,050	13,067	14,203	15,055

Constant

Total Millions ($1977 SAAR)	QII '85	49,739	40,975	40,670	41,610	42,650	43,500	44,500	45,400	41,134	43,249	44,013
Maintenance & Repair	QII '85	21,853	18,858	17,800	18,300	18,700	19,100	19,500	19,900	17,029	19,203	19,300
Additions & Alterations	QII '85	17,400	14,900	15,370	15,610	15,950	16,200	16,500	16,700	16,406	15,820	16,338
Major Replacements	QII '85	10,487	7,217	7,500	7,700	8,000	8,200	8,500	8,800	7,699	8,226	8,375

Retail Trade Activity

	Latest Available Data	1985 QI	1985 QII	1985 QIII	1985 QIV^e	1986 QI^p	1986 QII^p	1986 QIII^p	1986 QIV^p	1984	1985	1986

Current

Total $ Millions (SAAR)	Dec.	1,339,688	1,374,052	1,403,728	1,393,368	1,417,968	1,440,707	1,462,559	1,489,779	1,297,015	1,378,609	1,452,753
Total Minus Automobile	Dec.	1,043,440	1,062,084	1,071,676	1,090,860	1,096,837	1,112,253	1,128,505	1,146,481	1,020,007	1,068,337	1,121,019
Building Material, Hardware, Garden Supply, Mobile Home	Dec.	69,016	72,024	73,132	76,704	77,163	78,142	79,168	80,136	68,703	72,931	78,652
Building Material & Supply	Nov.	50,468	53,012	53,248	55,772	56,566	57,409	58,440	59,296	49,774	53,125	57,928
Hardware	Nov.	9,844	9,984	10,256	10,752	10,573	10,725	10,809	10,870	9,530	10,209	10,744

Constant

Total $ Millions ($1972 SAAR)	Dec.	636,632	651,792	664,008	658,489	663,480	667,445	670,860	676,580	621,128	652,730	669,591
Total Minus Automobile	Dec.	497,904	505,112	509,272	519,209	516,885	518,960	521,330	524,390	489,405	507,874	520,391
Building Material, Hardware, Garden Supply, Mobile Home	Dec.	30,476	31,908	32,537	33,985	33,850	33,940	34,045	34,120	31,185	32,227	33,989
Building Material & Supply	Nov.	22,284	23,484	23,690	24,567	24,670	24,790	24,985	25,100	22,623	23,506	24,886
Hardware	Nov.	4,344	4,424	4,563	4,735	4,610	4,630	4,620	4,600	4,334	4,516	4,615
Building Materials % of Total Less Automobile ($ Current)	Nov.	4.84	4.99	4.97	5.11	5.16	5.16	5.18	5.17	4.88	4.97	5.17

Data: Department of Commerce
Bureau of Labor Statistics
National Association of Realtors
Department of Housing and Urban Development
Feb. 7, 1986

The Home Center Industry Outlook runs in two parts, in alternate issues. Part I includes latest data on the General Economic Outlook; Residential Alterations & Repairs; and Retail Trade Activity. Part II includes latest data on regional building material & supply store sales; and industrial production. The *NHCN* Leading Indicator runs every issue.

SAAR—Seasonally Adjusted Annual Rate
e—estimate
p—projection
NHCN chart
Source: Merrill Lynch Economics for *NHCN*

FINANCIAL NEWS

Economy to force home prices up

(Continued from page 4)

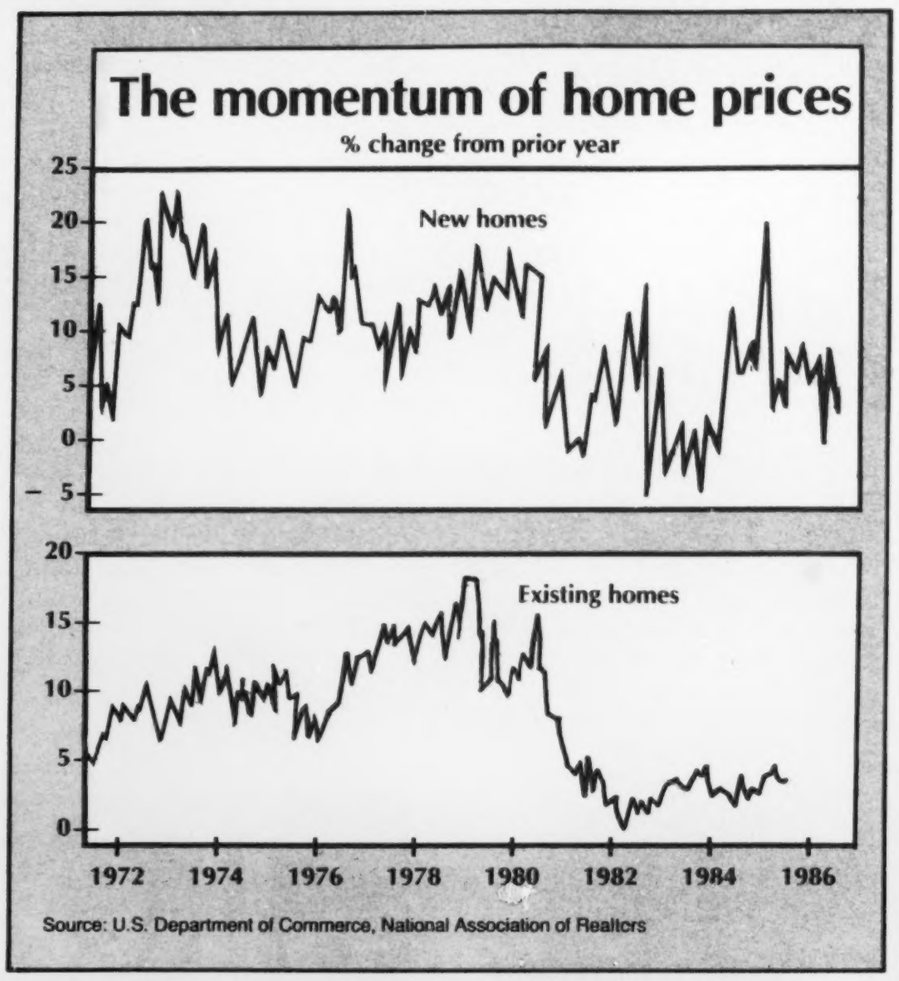
omy that boost resales inevitably help the retail market.

As home prices go up faster, resale activity will increase. Home buyers will buy more frequently as they trade up, and they will purchase larger, more expensive homes. This buying pattern will increase both the volume and the quality of building material sales.

Although housing starts may beginn to decline later this year, resale activity will not fali as rapidly.

Prices of existing homes have an average edge of $11,000 over new homes. Higher appreciation rates in resales increases the investment incentive for buyers, even when housing demand softens.

For building material sales, the relative strength of existing home sales over new will be a plus for retail outlets but a negative for wholesale sales to contractors.



Scotty's posts Dec. sales of $45.4M

WINTER HAVEN, Fla. — Scotty's reported that sales for both the five weeks and 26 weeks ended Dec. 28, 1985, were up 9% from the comparable periods last year.

December sales were $45.4 million, compared with $41.8 million in the same month of 1984. Sales for the first six months of Scotty's 1986 fiscal year, ending Dec. 28, were $230.9 million, up from $211.3 million for the corresponding six months last year.

Vice chairman Ray Cooney attributed the sales gains to "continued improvement in consumer do-it-yourself" business as well as the addition of new stores. In December 1984, Scotty's operated 110 outlets; it now operates 124 stores, including 110 full-line home centers, 12 hardware stores and two factory outlet warehouses.

Lowe's Dec. sales jump 25% to $153M

NORTH WILKESBORO, N.C. — Lowe's Cos. reported sales in December jumped 25% to $153.3 million, during the four-week period ended Dec. 27. Comparable store sales—at 243 stores open more than one year ago Dec. 27—were up 10%. The company was operating 40 more stores than it had in the previous December.

The monthly figures also show that retail sales rose 24%, while sales to professional customers grew by 25%, and made up 42% of the sales total.

In December, Lowe's opened a new store in West Augusta, Ga., and acquired a unit in Banner Elk, N.C., bringing the chainwide total to 283 stores in 21 states, primarily in the eastern Sunbelt.

Interco reports 3 month sales of $355 million

ST. LOUIS — Interco, parent company of Central Hardware, said that sales for its merchandising group, for the three-month period ending Nov. 30, 1985, totalled $355.1 million. This represented a 20% drop from the same period of the previous year. Net earnings for the group were $17.2 million, down about 3% from the same quarter the previous year.

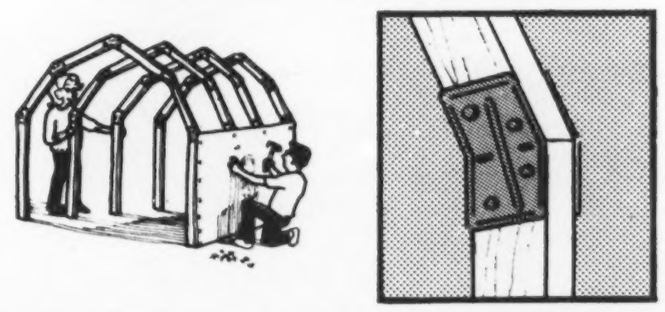
For the company as a whole, net sales dropped 0.6% to $694.7 million. Net earnings were $27 million, compared with $8.3 million for the same period the previous year, after a nonrecurring charge of $20 million.

K mart to divest of two operations

TROY, Mich. — K mart said it would divest two loss operations as part of a program to concentrate resources where they can produce greater return. The two operations are its Mexican venture with Gentor, S.A.—Astra, S.A., and K mart Insurance Services.

The company said it would set up a fourth quarter provision to cover all losses.

Selling Barn Sheds Has Never Been So Easy!



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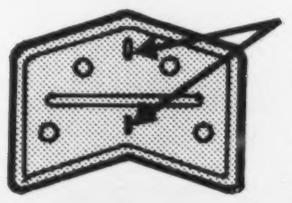

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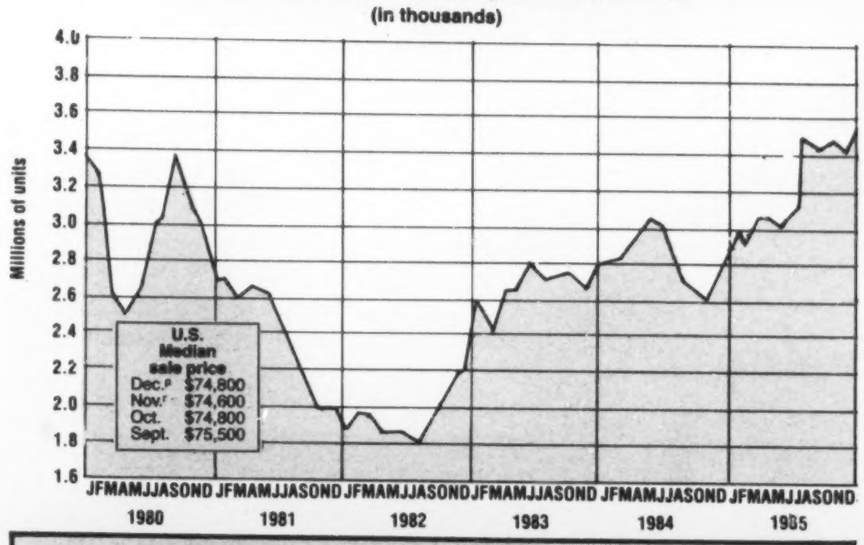
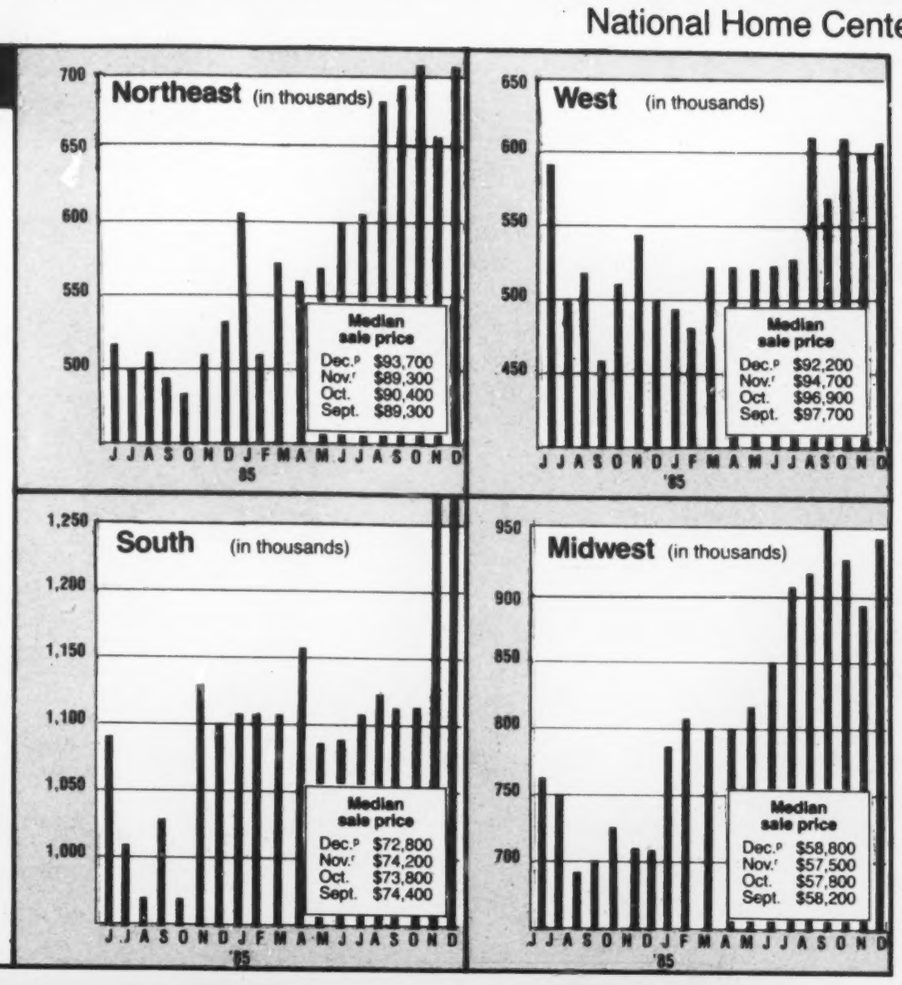


The sales pace for existing single-family homes hit 3.22 million units in 1985, the first time since 1979—when 3.83 million units were sold—that the annual total broke the three-million-unit mark, the National Association of Realtors reported. NAR economists are already projecting that 1986 totals should exceed those of 1985.

p = preliminary r = revised

Source: Nat'l Assn. of Realtors



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Steel

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Dec. resales hit 3.5 mil., 2nd best in '85

NATIONAL REPORT — The resale rate for single-family homes rose 3.2% in December to a seasonally adjusted 3.53 million units, the second highest rate in 1985, according to the National Association of Realtors.

December's rate was second only to October 1985, which posted a resales rate of 3.55 million units—the highest pace since October 1979, the association said.

For all of 1985, the NAR reported that 3.216 million previously-occupied homes were sold, the first time since 1979 that the pace has been above the three million unit mark.

Clark E. Wallace, president of the NAR, credits last year's lower mortgage rates with stimulating housing activity, adding that 1986 should exceed the 1985 pace.

According to the Federal Home Loan Bank Board, the average effective interest rate on loans closed for existing single-family homes was 11.14% in early December, compared with 12.77% a year ago.

Nationally, sales in December were 23% ahead of December 1984, when 2.87 million units were sold.

NAR economists are predicting that resale activity should continue rising in 1986 with the South and West projected to grow at 13% each. The Northeast, the economists noted, should post gains of 4.5% in 1986 and the Midwest should chart increases of 3.8%.

For 1985, resales in the Northeast set record sales and appreciation increases and activity in the Midwest and South were the highest since 1979. The resale total in the West was the highest since 1980, the NAR reported.

Home prices, however, rose just 3.7% nationwide in this recording period. The median price of a single-family resale home in December was $74,800, up $200 from November and $2,700 from the final month of 1984.

Although the country's appreciation rate was fairly low last year—and NAR economists predict that pace to continue through this year—two of the regions posted considerable gains, especially the Northeast. Homes in this region appreciated 15% in 1985, to a median $93,700. Last year was also the first time since December 1979 that home prices in the Northeast exceeded those of the West, traditionally the most expensive region to purchase a home, association economists noted.

Sales of previously occupied homes in the small Northeastern region, also posted the largest gains. The pace was up 7.6% in December, to 710,000 units, seasonally adjusted, from November's 660,000. In December 1984, the Northeast charted 520,000 resales.

In contrast, the West posted a 1.4% decline in home values over the past year. The median resale home was priced at $92,200, compared to $93,500 in December 1984.

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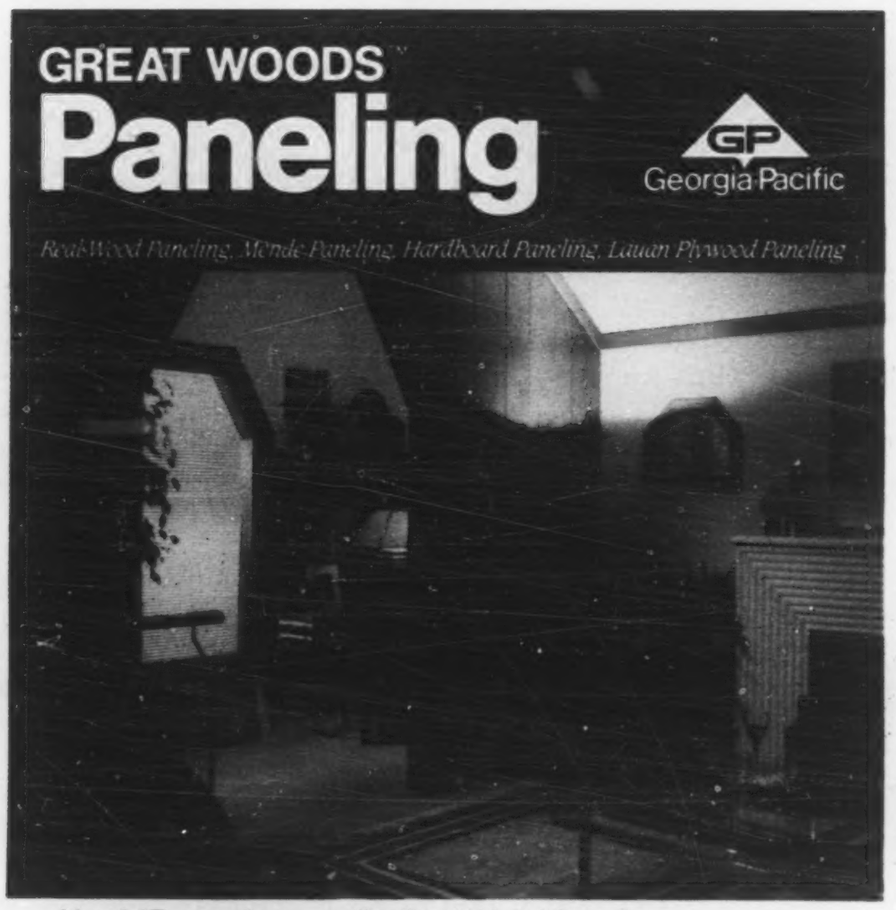

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LUMBER REPORT

BMA sales rise 50% in January; '86 sales may exceed forecast

GREENVILLE, S.C. — Buoyed by builders' optimism voiced by at the recent National Association of Home Builders Show, and a 50% increase in his company's sales in January, Richard Ingram, the president of dealer services at Builder Marts of America here, now thinks revenues in 1986 could be double BMA's original projections.

"I am pleasantly surprised, and a little astounded, at the kind of business we're seeing," he told *NHCN* last month. "The weather in our dealers' market has been good, and homebuilding solid, so our business is booming. Perception can sometimes become reality in this market although I have to admit that I was pessimistic going into this year."

Strong sales, flat net

In 1985, BMA, a dealer services organization, enjoyed a 15% increase in sales to an estimated $572.7 million, and it added 123 dealers to its fold, bringing its total to 1,482.

"But," said Ingram, "we simply could not put more money on the bottom line."

He explained that, for the past two years, the building products market to which BMA caters has experienced "zero inflation, and, last year, some deflation." Plus, BMA found that its operating costs, through the first half of last year, were getting out of control.

For 1986, BMA officials had budgeted another year of zero inflation, and projected that the 11% anticipated sales growth would come exclusively from the addition of about 65 new dealers.

"Now, from what we're hearing in the field, particularly at the Dallas show, and from the kinds of orders we're receiving, I believe our percentage increase in sales could be double what we had projected, especially if we have any kind of inflation this year," he said. He called this a "kind of rebirth of the market."

Cost measures begun

And the profitability of BMA should improve markedly from the cost containment program company officials initiated last summer.

Ingram asked all BMA's 180 or so employees for ways the company could cut its costs, and his office got 283 suggestions, ranging from making travel plans in advance to take advantage of discounts, to a more prudent use of office supplies.

One particular cost-saving measure Ingram alluded to was a more efficient use of the telephone, which is BMA's second highest expense, after salaries. "We found that the average phone call our people make runs 3 ½ minutes and, by cutting that length by half a minute, we'd save $100,000 a year," he said.

Other cost-cutting enacted by the company was a 10% reduction in its workforce last year, and what Ingram said was "a zero-based budget analysis of our company."

Another aspect of BMA's business that bears watching is the development of a new import program. When it was shuffling its employee staff around in 1985, BMA deployed four of its people to work fulltime on importing hardlines from the Orient, a new twist to BMA's merchandising that Ingram said would "expand our product mix."

FUTURES

Two weeks ended Jan. 30, 1986

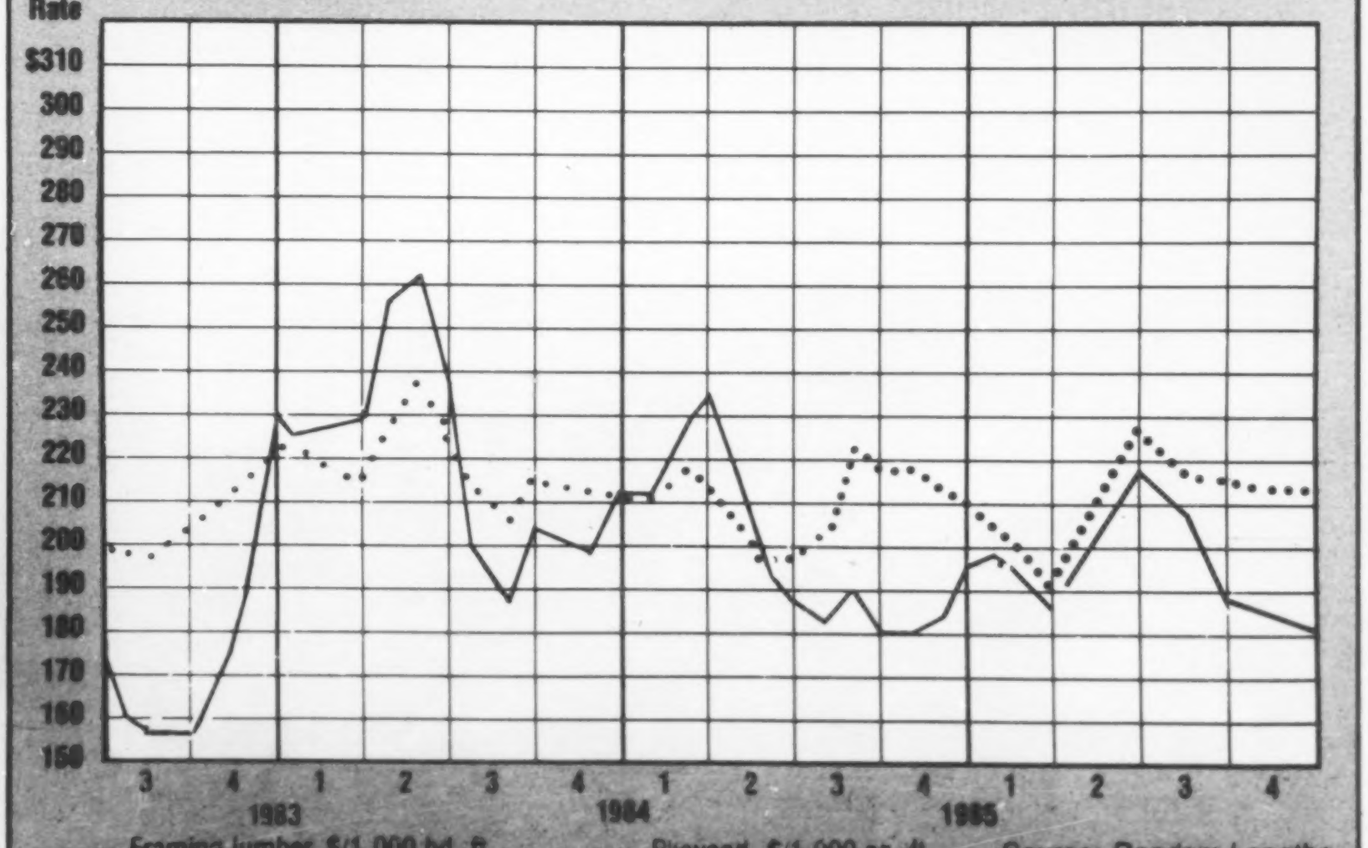
LUMBER (CME)—130,000 bd. ft. spruce-pine-fir 2x4's; $ per 1,000 bd. ft.

	High	Low	Close (Settle)	Previous Week	Open* Interest	Contract High	Contract Low
March '86	145.20	139.10	139.40	143.60	3,261	195.00	139.10
May	148.70	143.30	143.50	147.60	1,434	176.40	143.30
July	153.00	147.10	147.20	151.50	608	183.40	147.10
Sept.	154.80	149.20	149.90	153.80	345	180.00	149.20
Nov.	154.90	149.70	149.80	154.00	88	166.90	149.70
Jan. '87	159.00	152.50	152.50	159.00	25	173.50	152.50
March	162.50	155.50	155.50	166.00	4	168.00	155.50

Total Contract Vol. (Through 1/30): 10,762 — **Previous Two Weeks: 11,260**
Total Open Interest (As of 1/30): 5,765 — **Previous Week: 5,472**
Cash Price: $147.00 — **Previous Week: $148.96** — **Year Ago: $152.88**

CME—Chicago Mercantile Exchange
*Figures for Thursday, Jan. 30, 1986.
Open Interest is the number of outstanding contracts for each delivery month not liquidated by an offsetting transaction or fulfilled by delivery.

Composite lumber/plywood price profile



The mid-year price peaks plywood and framing lumber enjoyed in 1985 dropped sharply by year's end. Framing lumber was selling at $230 per thousand board feet at the beginning of the third quarter but ended the year selling at $203 per thousand board feet. Plywood had a similar decline from a high in June of $215 per thousand board feet to $183.

Perspectives

cover story

NAHB sees Smart technology revolutionizing housing

NATIONAL REPORT — A house that can turn on the lights, turn off the oven when the roast is done, report a faulty wire and control the inside temperature and humidity? Yes.

It's called SMART House. And it is a system for residential wiring that distributes power, signal information and data communication through a single cable, explained Ken Geremia, spokesman for the National Association of Home Builders Research Foundation, Rockville, Md., a wholly-owned subsidiary of the National Association of Home Builders (NAHB), coordinators of this project.

To be available in 1988, this system, which is modular, requires specially designed outlets and connectors, on which any appliance can run, to prevent mismating of power and signals.

The first applications of SMART House products will be in single-family detached homes, with newly-installed NAHB president David Smith, a Virginia builder, being among the first to use it.

The home retrofit market will not be addressed until next year with application probably beginning in 1989, Geremia said.

A consortium of 30 manufacturers, among them General Electric, Carrier, Whirlpool, North American Philips, Honeywell, Schlage Lock, and Nu-Tone Division of Scovill, plus several federal agencies, have been working on the project and are currently developing products for use in the house. Their research was made possible under the National Cooperative Research Act, passed by Congress last fall. It allows U.S. firms to pool their research efforts.

"SMART House technology will be the standard in the industry at the end of the decade," asserted Geremia.

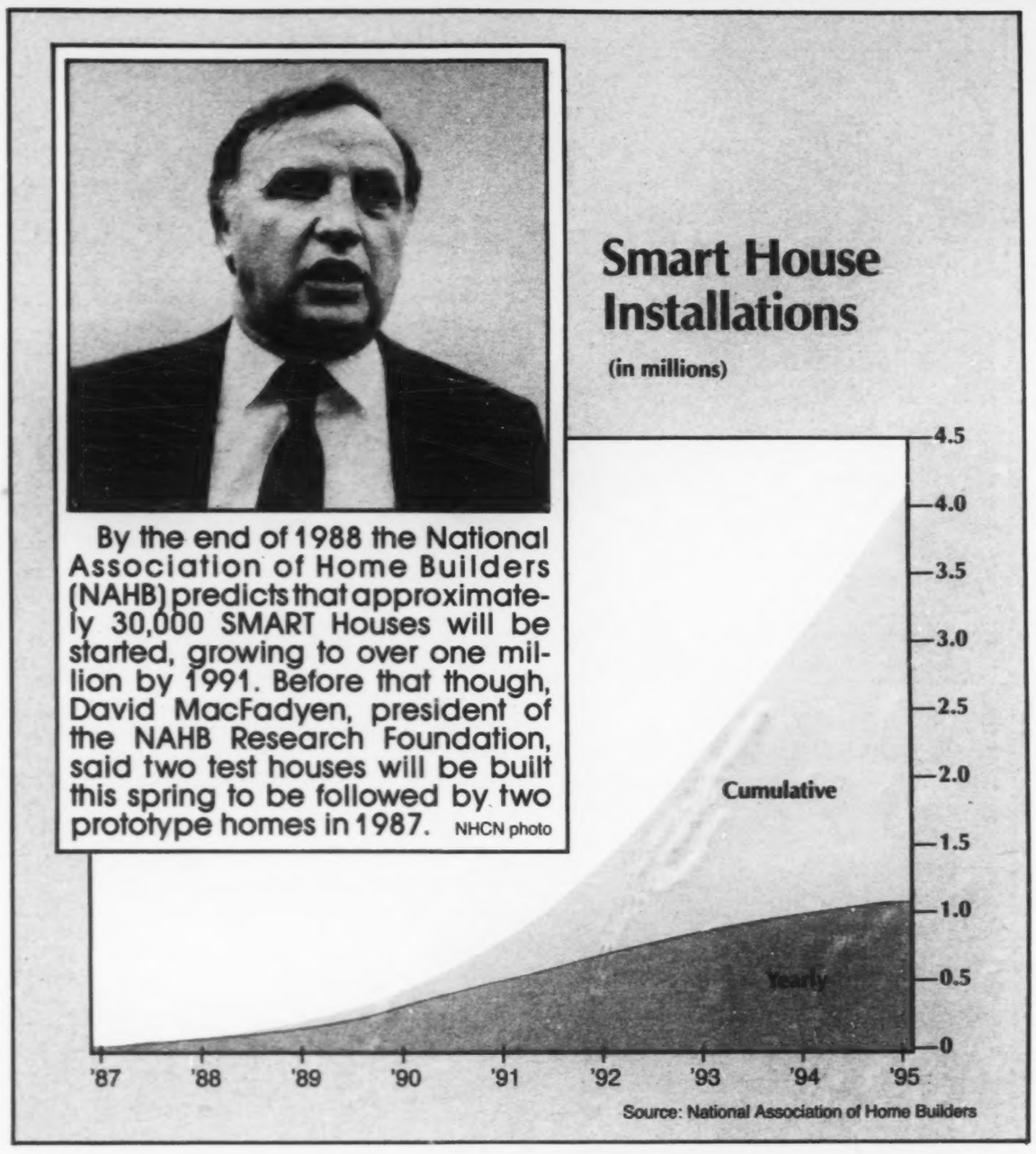
The NAHB calculates that a 20-year transition period is needed for SMART House.

By the end of 1988, approximately 30,000 SMART Houses will be started, growing to over one million by 1991, he added.

Before that though, David MacFadyen, president of the Research Foundation, said two laboratory or test houses will be built this spring in Bowie, Md., followed by two prototype homes, one gas and one electric, built in 1987 at the same Bowie site.

Consumers will be introduced to the SMART House in early 1988, through a variety of channels including demonstrator homes built in 30 different markets across the country.

By the end of 1988 the National Association of Home Builders (NAHB) predicts that approximately 30,000 SMART Houses will be started, growing to over one million by 1991. Before that though, David MacFadyen, president of the NAHB Research Foundation, said two test houses will be built this spring to be followed by two prototype homes in 1987. NHCN photo



SMART House wiring technology has been in the development stages since fall 1984. It was approved in December 1985 for inclusion in the National Electric Code effective January 1987.

Nationwide training programs for contractors and installers will be concurrent with final product evaluations, also scheduled for next year.

SMART House technology will add 10%, or between $2,000 and $3,000, to the wiring costs of the first 3,000 to 4,000 homes, Geremia commented, but only $500 to $600 after that. In many areas of the country, basic wiring includes some to all of the kitchen appliances. If a manufacturer wants its products in SMART House homes, its appliances will have to be compatible.

Compatability is the key benefit to this technology, its sponsors say. Through its use, there is a standard design system for the development of new products that can communicate or be controlled by the system's controller, or central unit.

Adaptors for traditional appliances will be available at retail, although no system of distribution has been established yet.

SMART House uses a closed loop system for the distribution of electric power, which requires the applicance that is plugged into the wall to communicate via a microchip with the system's controller. Then, the proper type and amount of power needed to operate the specific device can be supplied.

The system continually asks the device if it is working properly and receiving exactly the amount of power it needs. So long as the device keeps responding that everything is fine, power will continue.

If a device's circuit wiring is faulty, unplugged, cut or frayed, or if it develops a malfunction and the system's controller receives a different signal than the one it is supposed to get from a particular appliance, the system ceases to supply power.

For example, when a toaster is plugged into the wall it tells the system it is a toaster and exactly what kind and how much power it needs to operate efficiently. If the appliance asks for too much power for the operation, power stops. Likewise, if a finger is inserted into wall socket, the person will not receive a shock because there is no appliance transmitting a signal for power.

No master control is necessary in this system, officials say. The technology can be accomplished through "distributed intelligence," or decentralized control. The appliances control the situation.

SMART House officials note that the technology actually makes the house safer than conventional wiring because of substantial reduction in shock and fire hazards; its use of simplified electromechanical appliances and expanded communications, automation, home security and personal health applications.

In addition, sponsors note that the system results in less costly metering and monitoring of natural gas, electric power and water utilities. There is also a backup system.

This system also protects against voltage surges, electromagnetic and radio frequency interference, and even power loss through switchover to an alternate energy source such as to a battery backup system, an on-site, gas-fired generator or a photovoltaic system, its sponsors note.

SMART House also features appliance/devise interaction. If the roast in the oven is almost cooked, a signal can appear on the television screen.

Eventually, SMART House enthusiasts at the NAHB noted, the technology may include speech or synthetic speech recognition, measure body heat, motion, listen for respiratory sounds, or recognize spoken requests for assistance to aid the handicapped, elderly, children or infirm.

Floor plan tops survey of features home buyers look for

NATIONAL REPORT — What sells a home? Features, answered consumers in a national survey conducted by the National Association of Home Builders (NAHB) called "Decisions for the 90's." And the more of them the better.

But what exactly is preferred in a home varies among regions of the country and to which home-buying segment consumers belong: first-time homebuyer, described in the survey as people under 35; the move-up buyer, who is generally between 35 and 55; and the elderly buyer, people over 55.

According to the survey, amenities such as fireplaces and a large backyard, are most important to the first-time and move-up buyers. But upgrade buyers also place a lot of importance on a spa and a hot tub, more so than do either the first-time or elderly buyer.

The elderly buyer, however, considers a brick exterior, carpet and paint quality, central air conditioning and close proximity to shopping areas to be more important house features than do the two younger groups.

Home energy features are are also most important to the elderly buyer. Almost three-quarters of these respondants said energy features are important to them compared to 72% for the move up buyer and 67% of first timers.

Particularly important to the over 55 homeowner is a security alarm system, 78%, compared to 50% for the move up buyers and 42% of the first-timers.

The survey, the second for the NAHB, was based on interviews with 920 consumers from across the country, 77% of whom already own and live in a single-family detached home. Over 70% of those polled said they prefer a suburban location compared to 10% who said rural and 14% who favor living in the inner city.

Seventy-seven percent of the respondants reported that they were either married or married with children. One third of them earn between $25,000 and $35,000 annually. Another 22% earn between $35,000 and $50,000.

The consumers said they prefer a home about 1,838 sq. ft. although about 40% of the respondents said they would much rather have a home with more than 2,000 sq. ft. In the last survey, done in 1980, the median size of the preferred home was 2,163 sq. ft, according to the NAHB.

First-time buyers are the most willing to compromise on features in their effort to get into a house. But rather than settling for a smaller house, first-time buyers revealed in the survey that they would prefer to buy an expandable home, whereas only 44% of the move-up buyers and 19% of the elderly said so.

The move up buyer is the consumer least willing to compromise. Only 17% of them said they will sacrifice amenities in their house for affordability compared to 23% of first-time homebuyer and 23% for elderly.

The first-time buyer, although willing to compromise, does have a long list of desired features he wants for his home, among them ceramic tile on his kitchen counters, custom cabinets, hardwood floors, bay windows, a wet bar, fireplace and skylights. According to the survey results, 23% of the first- time home buyers want ceramic tile on their counters compared to 15% for move ups and 8% for elderly. His

(Continued on page 26)

Perspectives

cover story

Features consumers look for when buying a home

(per cent of respondents rating category very important)

Feature	1985 Survey
Floor plan/layout	81.3%
Quality of paint	74.1
Quality of floor carpeting	73.6
Two-car garage	69.9
Room-size	65.7
Central air-conditioning	64.3
Quality floor tiles	60.4
Layout of development	41.9

According to a recent National Association of Home Builders survey, today's homeowners find eight features very important to them in a home. In addition to these featuers, homeowners also commented that they want a three-bedroom home with between two and two and a half bathrooms.

Source: National Association of Home Builders

Consumers eye homes features

(Continued from page 22)

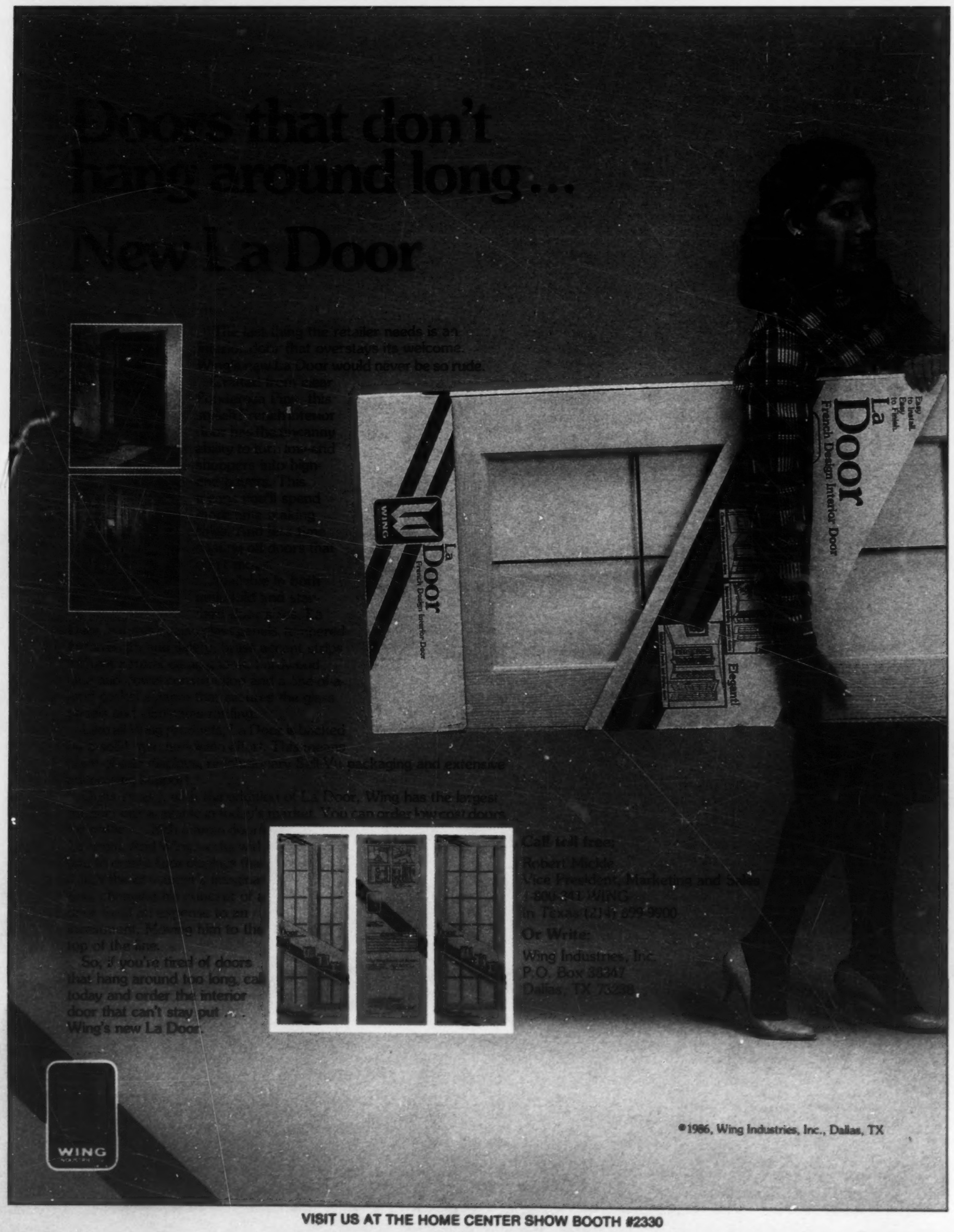
other "wish list" items follow the same two-to-one ratio compared to the other two groups.

What all three groups share is their belief that a single-family home is the best hedge against inflation. And all three groups noted that they are very willing to spend extra money on more insulation for their home to make it more energy efficient, the survey revealed.

In fact, about two-thirds said they are very willing to pay for extra insulation and half are very willing to pay for thermal pane or storm windows. Survey results revealed that consumers are very willing to spend $500 extra for more insulation. And the move-up buyer is the most willing to do so, 73%, compared to 59% of the elderly buyers and 58% of the first timers. More than half of all consumers said they also would be willing to spend more than that, an extra $1,200 to $1,500 for thermal pane windows.

In general, half the respondents said they prefer brick on the front exterior of their home compared to 14% for stone. Brick is also preferred for siding by 48% of the consumers, compared to 13% for wood, 12% for aluminum and 12% for vinyl.

Within the next 12 months consumers in the survey reported they have very few DIY projects planned, an issue Gopal Ahluwalia, assistant staff vp and director of research at the NAHB, said is currently being studied. But those who do plan a major addition or alteration project list among them finishing off a basement or recreation room; changing the roof; remodeling the kitchen; and adding a deck. Among those respondents, the first-time home buyer is the one claiming he has the job planned. Among the jobs he is most likely to do in the next year are finishing the basement or recreation room, reroofing the house, remodeling the kitchen, changing the water heater, and adding a deck.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First home buyers would forgo luxuries

DALLAS — Although more home buyers than ever before are stressing the importance of amenities in their homes, many consumers, particularly the first time home buyer, noted that they would sacrifice some of these items to afford the house, according to consumer responses in the report entitled, "Decisions For the 90's," released by the National Association of Home Builders.

What consumers noted, however, is that they are less willing to compromise with the size of the home, but would opt for an expandable home, one they could grow into and fix according to their means.

According to the survey, only 36% of the consumers polled would opt for a smaller house compared to 54% who responded that way in the NAHB's 1980 survey. But 32% of the respondants said they would prefer an expandable home, up from 25% five years ago.

In fact, 51% of the first time home buyers noted they would accept an expandable home to make the house more affordable compared to 44% of the upgrade buyers and 19% of the elderly home buyers.

After that compromise, both 23% of the first-time and the elderly buyers said they would accept fewer amenities in their new house. But the move-up buyer was less inclined to compromise on this issue. Only 17% of the upgrade buyers said they would accept fewer amenities in their new home to make it more affordable.

The upgrade buyer would sooner have a smaller house, 31%, than lose the specialty features, the survey noted.

Perspectives

merchandising

Window sales hinged on energy savings, new styles

NATIONAL REPORT — Last month, one of Payless Cashways' stores in Ohio took an order for $5,000 worth of cladded windows. While the dollar amount of this sale was unusual for the Kansas City, Mo.-based chain, it was indicative of the kind of expenditures consumers nationwide are making for windows.

"The big ticket sale of upscale windows is a small, but growing, segment of our business," said Phil Rogers, Payless' senior commodities product manager.

More retailers are finding that their retail and contractor customers are gravitating towards the better-quality window that offers energy efficiency, a more stylish architectural design and other properties that, until recently, weren't available except on the most expensive windows.

From chains like Pergament Home Centers, which will take windows on for the first time this year, to Menard Cashway, which has one of the more extensive window departments in the industry, home center chains are expanding their window lines with the goal of getting a greater share of what, for most dealers, can average out to be a $1,500 to $2,000 purchase per customer project.

However, some dealers and suppliers question the DIY applicability of windows. Indeed, as much as 65% of all windows sold at retail are bought by contractors, and only around two-fifths off all windows produced are sold through retail outlets, according to manufacturing sources and Census Bureau data.

In addition, as more sophisticated windows with complex shapes and energy-saving features enter the market, some in the industry question whether home centers have adequately-trained personnel to explain price and quality differences to consumers.

Nevertheless, it appears that more dealers are expanding their lines and, in some cases, beefing up their in-store inventory of windows, to become better window specialists.

"There is no question that retailers have not only been successful selling windows but extremely successful," said Richard Stout, manager of marketing support services for Andersen Windows, the Bayport, Minn., supplier.

Regional differences

The market for windows, in terms of consumer preferences for framing, glass and price point, still breaks down geographically. Lower-end double-hung wood windows continue to thrive east of the Mississippi River; casement windows (which swing out horizontally) are selling well now in the Midwest and Southwest; aluminum windows are more prevalent in the West and Southwest, as are architectural designs such as roundtops, arches, octagons and curvelinear models that, less than five years ago, were hard to find in stores.

A large midwestern chain, whose window sales increased 23% in 1985, has been having a lot of success lately selling low-maintenance aluminum and vinyl clad windows, as well as decorative and energy-efficient units.

"As people are renovating homes that are downsized, they are looking to do more with windows to give the house an appearance of more space," said this chain's merchandise manager.

This retailer noted that consumers buying cladded windows (vinyl or aluminum coverings, applied mostly over wood frames) can expect to pay as much as 20% to 25% more than for conventional windows, and that when energy-saving glass is requested, the cost goes up another 15% to 20%. "But people appear willing to spend that kind of money to improve their homes," he said.

The "Low E Revolution"

Dealers and suppliers agree that consumers have become far more energy conscious, and are seeking out better-grade "high performance" windows to cut down costs.

The market for storm and double-insulated windows has grown significantly in recent years, and appears primed for further expansion, according to a recently-released survey by the National Association of Home Builders (NAHB).

Having polled its members, the NAHB found that nearly three-fifths of consumers were "very willing" to pay extra for added insulation, and close to half said they would pay more to install either storm or thermal windows.

Couple this with the fact that several of the major glass suppliers–which include PPG Industries and Ford Glass in Detroit–have made major advancements in heat reflective technology, and are bringing out high performance energy

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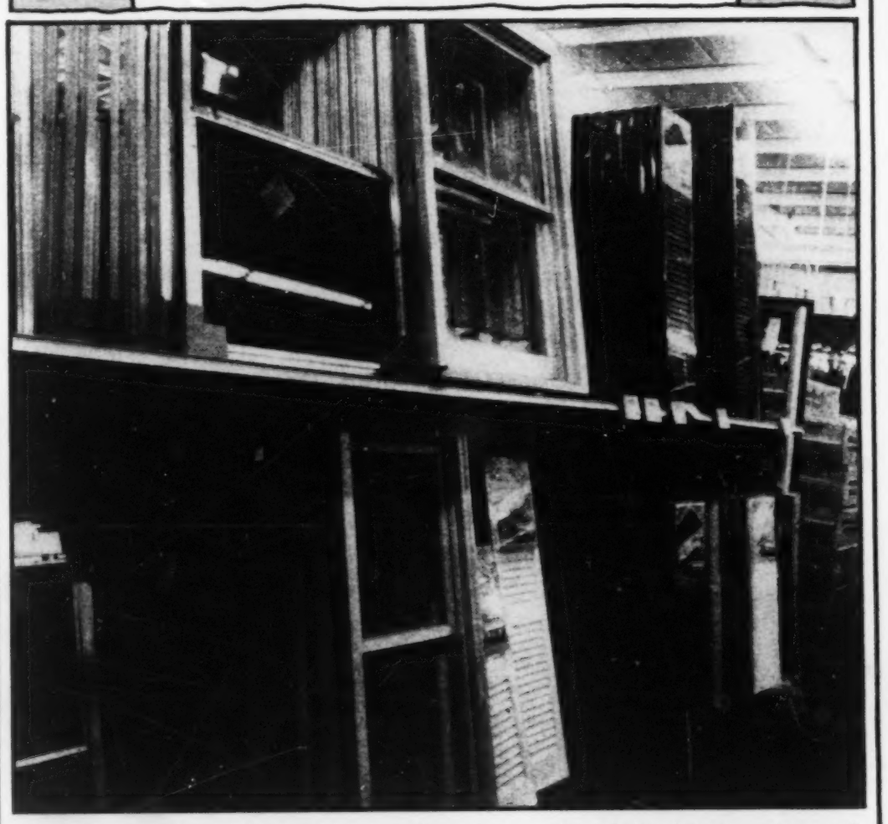
Residential window market

Total demand (in mil. units)*	1978	1985
—New construction	20.3	16.0
—Repair/remodel	12.4	14.0
Frame material mix (% of total demand)*		
—Aluminum	52.0	43.0
—Wood	37.0	20.5
—Vinyl-clad over aluminum	n/a	6.0
—Vinyl-clad over wood	n/a	10.0
—Vinyl	n/a	9.0
—Steel	5.0	2.0
—Other	6.0	5.0

*Sources: National Wood Window and Door Association, Chicago; LSI, Crofton, Md.; *NHCN* chart



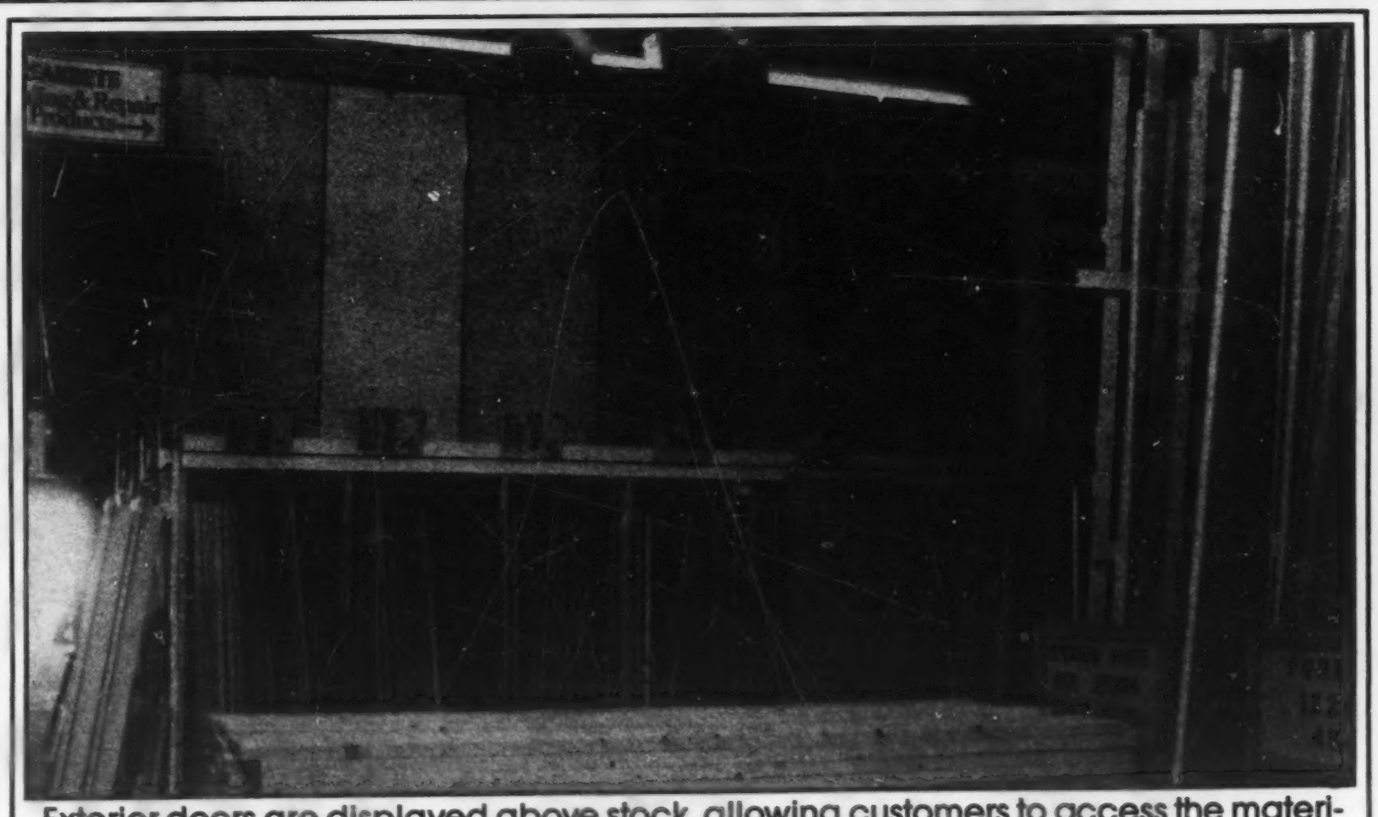
At Moore's unit in Roanoke, Va., double-hung wood windows and storm window frames are cross merchandised with shutters. More dealers are stocking a wider variety of window styles and energy-saving models to increase sales and margins in this commodities category. NHCN photo

Door market swings open with increased exposure

NATIONAL REPORT — When Jim Carpenter Lumber holds a grand re-opening for its completely remodeled Madison, Va., store this spring, one of the more arresting changes will be the new way doors are displayed toward the back of the store.

While most home centers display doors in long rows without the benefit of much tie-in merchandise, this $8 million outfit has set up its doors along a back wall, where customers can see them in conjunction with siding, windows, and other related merchandise.

"What we wanted to do is display as many exteriors as we could, and then label the colors, so the customer can say, 'I want that door, that siding, and that color,' " said Sonny Miller, manager of the company, which is owned by the Lester Group, Martinsville, Va. "And we want our custom builders to send their customers in to see the doors in use, in a natural environment."



Exterior doors are displayed above stock, allowing customers to access the material immediately, at Gee Lumber, Chicago. NHCN photo

Higher in-store profile

The fact that some 85% of Jim Carpenter's trade comes from contractors illustrates the extent to which the romancing of the American door has reached the floors of the nation's building materials outlets. Home centers are positioning exterior doors in environments that either make them more visible or present a number of new options in ways that make them more understandable to consumers.

Examples of such new features include center-hinged patio doors, adjustable frames, and leaded glass inserts. Pease Industries, the Fairfield, Ohio, manufacturer of doors, introduced removable security astragals (a projecting strip on a folding door) for the first time last year. Therma-Tru, the Dallas supplier, has gone to market with fiberglass doors that attempt to offer the warm look of wood with the low maintenance advantages of steel.

Home center operators who are turning their attention to their door departments cite as the primary motivation, a growing eagerness to buy on the part of their consumers in the category.

"Consumers right now seem to be upgrading their doors," said Dwight DeLong, vice president of Handy Andy, the chain of 16 stores based in Gurnee, Ill. "Probably the next category to get their attention will be win-

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Perspectives

merchandising

Window sales hinged on energy savings, new styles

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windows suppliers say are far superior than what was offered but a few years ago.

The "Low E" (for emissivity) window, on which a special coating is applied to the pane to increase its R-value and cut down on heat leaking from inside the home, is the new buzzword in the industry, with many of largest suppliers predicting that Low E will alter the way windows are made and sold.

This new technology "is going to change the industry," said Susan Marvin, vp-sales and marketing for Marvin Windows, Minneapolis. Roger Stremer, national product manager for Crestline, the Wausau, Wis., window maker, went so far as to say that this "second generation" of high performance windows could, in time, "completely replace double-insulated on the market, they are that good."

In addition to improvements in the shielding, manufacturers have also come out with windows that have argon gas injected between the panes for even higher energy savings, and "Therma-Break" frames, (an aluminum frame cut in two, and adhered together with a polyurethane resin that keeps the metal from getting cold).

Expert in-store selling a key

With all this sophistication, style and technology entering the market,the question is whether retailers have the expertise to instruct consumers about the differences in the products.

Stout of Andersen claims that dealers have done a good job promoting his company's more expensive and sophisticated fare. But Marvin of Marvin Windows was less sanguine about dealers' marketing abilities.

"We have over 5,000 standard windows, each with 5 to 15 options, plus custom millwork, so we need highly-trained people to handle the complexities of the sale."

Because of the inventory and selling demands required to be a complete window retailer, a good number of dealers carry windows only on a special order or drop ship basis. "I don't think the window is a DIY product, " said Jim McAloon, a buyer for the 26-unit Edward Hines Lumber in Chicago, which is dropshipping windows to job sites from Andersen's two local distribution centers. "If you have a really good salesman, you can sell Low E, but most salespeople just don't have that level of expertise."

Where the selling skill exists, though, dealers' window sales have flourished, as at the four-unit Buford White Lumber Co. in Shawnee, Okla., where buyer Dale Montgomery has succeeded in increasing the chain's sales of Therma-Break windows that cost 30% more than bronzed-insulated units, Buford White's best seller.

"I kind of push the high- end and for the person looking to spend some money, I have had no trouble stepping him up to the better window," Montgomery said.

However, this chain is handling all orders for clad, wood or decorative windows on a drop ship basis because 60% of its orders from these come from contractors, "and we have easy access to supply," he explained.

Price still a factor

With all the time retailers are now putting into the merchandising and selling of better-quality, higher-end windows, it is ironic that, in most markets, windows as a category are heavily footballed commodities, even at the loftier price points.

For example, Menard's, the 27-unit chain based in Eau Claire, Wis., recently was offering windows in a "40-40-40" promotion, in which the customer puts 40% of the cost of the sale down, gets 40% off and gets the windows in 40 days.

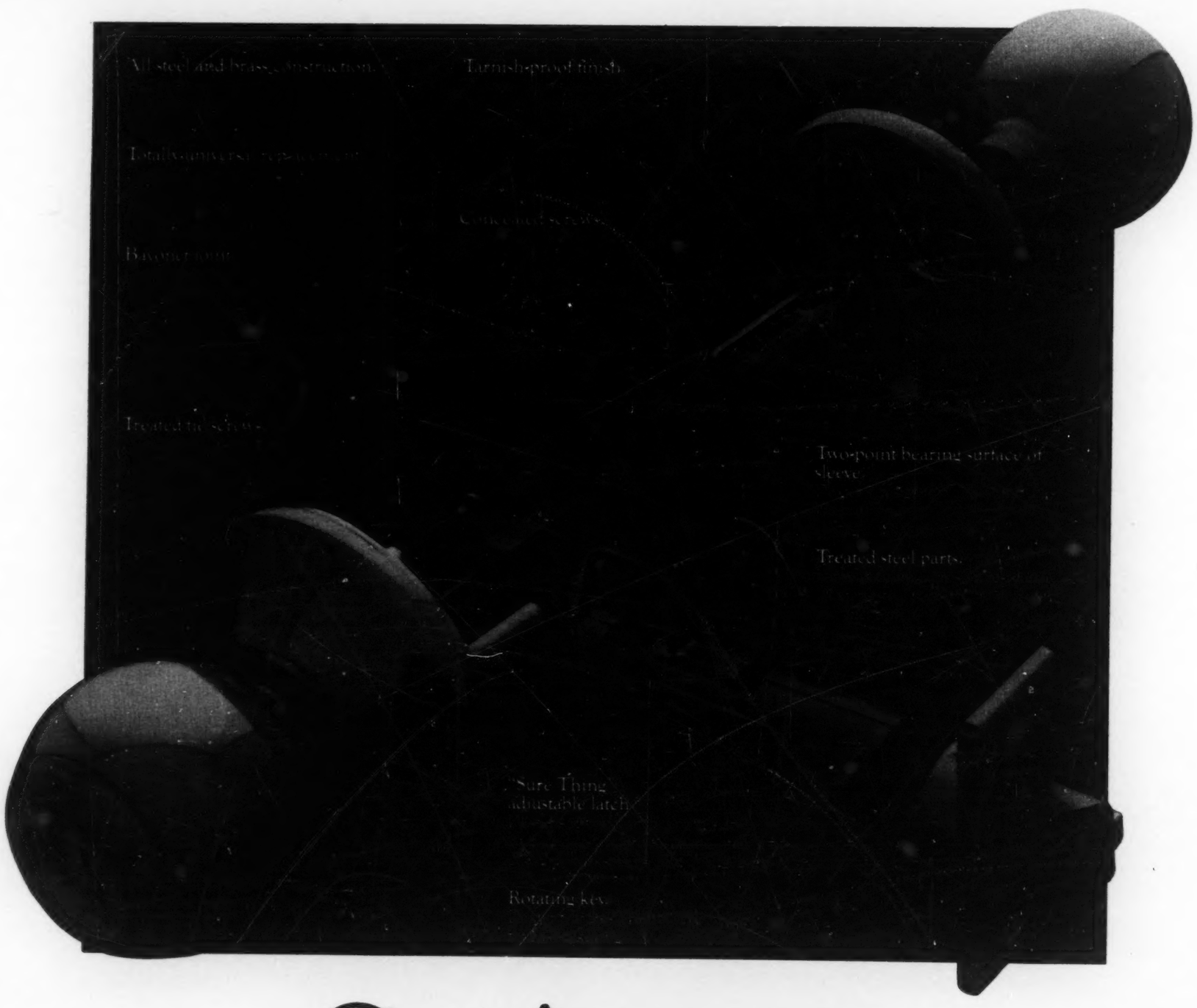
In California, the 19-unit National Lumber, based in Fountain Valley, has been getting more sales from insulated windows, but margins have been slim in the category because the discounting in the market is so severe.

"Virtually every chain out here has a big window selection, and it's very competitive," explained Bob Merson, National's buyer. "We have windows on sale all the time, and margins are generally in the low teens."

Not all retailers agree that the only way windows can be sold are on promotion. The merchandise manager from the midwestern chain spoke derivisely of the "retailer mentality that thinks the only way to sell something is to give them away," and insisted that deep discounting isn't necessary "if you have people on the floor who know how to sell windows."

Rogers of Payless agreed. "We'd much rather take a single window and have a sharp price point than discount the whole department," he said.

The chain currently is getting 20% of its window sales from bronzed insulated units that can be twice as expensive as conventional aluminum models. Rogers said the chain would be attempting to sell more of the better margin fare, where he saw "most of our growth opportunities in the category."



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Perspectives

merchandising

Door market swings open with increased exposure

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dows."

DeLong pointed to the need for consumers to bolster the energy efficiencies of their homes, and their growing competence in DIY activities, as the two forces converging into greater demand for doors today. "When they walk by their doors and feel the cold air coming in, they know that energy is being wasted," he said.

Dealers expand their mix

If consumers are more aware of their ability to install doors, they also seem to want the more luxurious looking units, and the variety of new features, that manufacturers are offering. In response, home centers are introducing new stock keeping units in the department. Handy Andy, for example, quadrupled its selection of doors in the past year, mostly in the upper end. And it also introduced fir doors from the West Coast last year. The chain now offers nearly 50 sku's of steel doors, and 10 of wood.

"The problem that we had before is that we didn't offer enough selection," said DeLong. "When we made the decision to offer more of a selection, the market went for it."

Independent sees success

Montgomery Builders Supply, an independent with $6 million in sales and based in the eastern Pennsylvania town of Grove City, is yet another example of a retailer that enjoyed a boost in sales when the selection of door sku's was deepened and the display enhanced.

Last year the retailer increased its sales of exterior doors by some 25%, to 1,000 units. One of the most successful of these new offerings was a door that offered adjustable jam jacks, making the unit much easier to install by the consumer.

James Crow, the company's general manager, attributed the increase directly to a boost in the number of door styles on display from six in 1983 to a total of 15 in 1984. At the same time, the store covered the green walls surrounding the door display with more attractive paneling, and ripped out the carpet and installed parquet flooring.

Signing aids installation

To help the shopper maneuver mentally through the new array of door options on display, Crow mounted a helpful sign. "The sign has options that the shopper should look for when purchasing a new steel door," said Crow.

Similar steps taken

Other home center chains said they were taking similar steps to deepen their selection of doors. Many said that there was a need to provide a good-better-best selection of the merchandise. The more inexpensive price points have gone as low as $28 in some outlets. The middle range has been reported at around $100 to $200, while the upper end door can clock in at $500 to $600. Some are available at prices ranging up to $1,500. Home center operators around the nation have said that gross margins on the item range from 20% up to 35%, depending on regional market pressures.

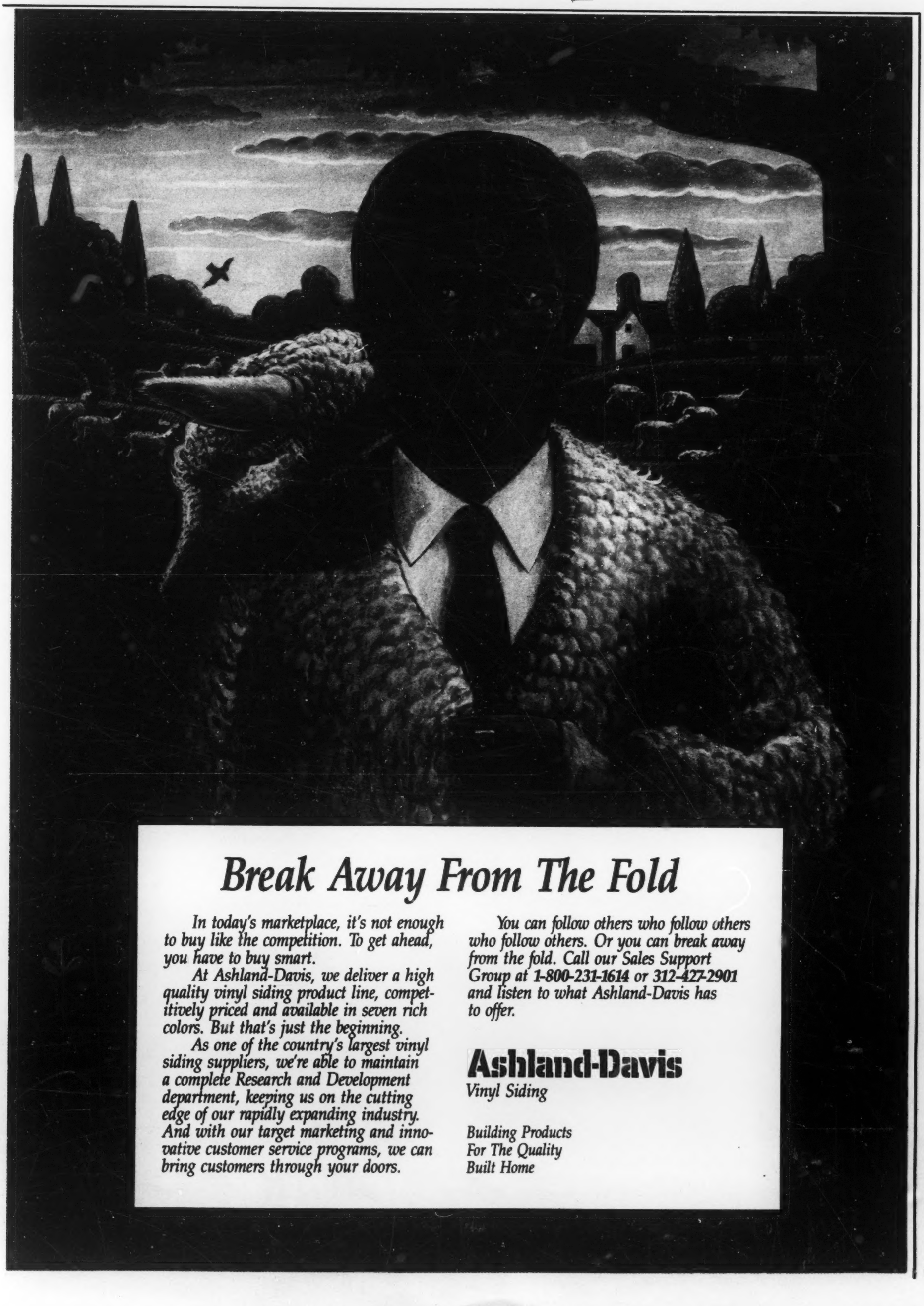
Handyman, the chain of 53 stores based in San Diego, took on a new line of three-panel patio doors last month to meet the perceived shift in the local market toward better looking wares. Bob Galant, the chain's merchandiser for decorative products, said that the new doors seem particularly suited for the new housing going up in the area.

"The low interest rates are fueling more housing," said Galant. "And when consumers build new homes, they want them to look decorative."

O'Malley's, the chain of 19 units based in Phoenix, Ariz., also broadened its selection of door price points last year, but in this case the desire was to cater to the low end of the market.

Imports increased

"We started buying imported doors for the first time last year," said Bob Eastvold, buyer for the category. Prior to taking on the new price point, the most economical doors at O'Malley's sold for $100. The new selection from Taiwan sells for $49 at regular price, or $37 on promotion.



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